

THE EAGLE-PICHER COMPANY



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A N N U A L R E P O R T

for the fiscal year ended November 30

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ANNUAL REPORT
FOR THE
FISCAL YEAR ENDED NOVEMBER 30, 1956



THE EAGLE-PICHER COMPANY
EXECUTIVE OFFICES CINCINNATI OHIO

THE EAGLE-PICHER COMPANY

DIRECTORS

JOEL M BOWLBY	WILLIAM H MITCHELL
WILLIAM R DICE	ORSON A ROCKWELL
LOUIS A FISHER	JOHN J ROWE
CARL A GEIST	HERMON F SAFFORD
CARL T HERTENSTLIN	T SPENCER SHORE
STANLEY R MILLER	GEORGE A SPIVA
MILES M ZOLLER	

OFFICERS

T SPENCER SHORE	PRESIDENT
JOHN J CHRISTNER	VICE PRESIDENT
WILLIAM R DICE	VICE PRESIDENT AND COMPTROLLER
LOUIS A FISHER	VICE PRESIDENT
CARL A GEIST	VICE PRESIDENT AND TREASURER
ORSON A ROCKWELL	VICE PRESIDENT
HERMON F SAFFORD	VICE PRESIDENT
MILES M ZOLLER	VICE PRESIDENT
RICHARD SERVISS	SECRETARY
JOHN C HEISLER	ASSISTANT TREASURER
CORBIN E SHOUSE	ASSISTANT SECRETARY
J N TINKNELL	ASSISTANT SECRETARY
JOHN H WINCHESTER	ASSISTANT SECRETARY
A C ZIMMERMAN	ASSISTANT SECRETARY

TRANSFER AGENTS Guaranty Trust Company of New York
The Central Trust Company Cincinnati

REGISTRARS The Chase Manhattan Bank New York
The Fifth Third Union Trust Company Cincinnati

THE EAGLE PICHER COMPANY

TO OUR SHAREHOLDERS

The year 1956 was one of real progress for The Eagle Picher Company. Net sales and net profit exceeded 1955 despite a substantial decline in production of the automobile industry the Company's largest customer. The dividend rate was increased during the year and at the year-end working capital and net worth were at record levels. A new division was acquired on November 30, 1956 which further diversified the Company's business and promises to make important contributions to future earning power.

Properties and Other Assets

Before reviewing the financial statements it is pertinent to discuss several special transactions.

In the first quarter of 1956 the Company sold a portion of its partially developed Mexican prop-

erties from which it derived a non recurring net profit of \$1,395,676 which amount was included in the quarterly and semi annual statements issued during the year. Inasmuch as these properties had not been operated by Eagle-Picher this transaction does not affect its Mexican production.

On November 30, 1956 the last day of the fiscal year, The Eagle Picher Company purchased all of the assets of Chicago Vitreous Corporation and its affiliate Lusterlite Corporation. Chicago Vitreous Corporation is one of the largest producers of high quality porcelain enameling frits sold principally to manufacturers of household appliances. It also makes porcelain enameled steel panels for gasoline service stations which are erected by Lusterlite Corporation. Operations of the two companies are being conducted as a divi-

YEAR ENDED NOVEMBER 30	1956	1955	1954
NET SALES	\$116,407,000	\$114,480,080	\$83,233,880
PROFIT FROM OPERATIONS BEFORE TAXES ON INCOME	11,481,794	10,204,062	4,946,829
NET PROFIT FROM OPERATIONS	5,496,794	5,004,062	2,446,829
NET PROFIT PER SHARE FROM OPERATIONS	5.47	5.06	2.47
NET PROFIT FROM SPECIAL ITEMS	409,636	—	—
NET PROFIT FOR YEAR	5,906,430	5,004,062	2,446,829
NET PROFIT PER SHARE	5.88	5.06	2.47

sion of Eagle Picher with continuity of their managements. The purchase price while fair and reasonable exceeded book values by \$936,261 which amount has been charged against 1956 earnings. Chicago Vitreous Corporation founded almost forty years ago is a major factor in its industry; it has able and experienced management and good growth prospects. We believe it will be of primary importance to the Company in the future.

During November 1956 the Newark, New Jersey plant of the Chemical Division and the Wabash, Indiana plant of the Insulation Division were sold and parts of their operations transferred to other manufacturing locations. A combined net loss of \$49,779 was incurred from the two sales which amount has been taken as a special charge against 1956 earnings.

Finally the Company in November sold at a nominal profit its 50% interest in Associated Lead & Zinc Company, an investment which was not providing an income return.

Sales

Net sales of \$116,407,000 for the 1956 fiscal year were the largest in the Company's history

being 17% more than net sales of \$114,480,080 for the previous year. This gain achieved in the face of a production decline of over 25% in the automobile industry indicates the wide scope of the Company's business and increased sales to other important industries.

Earnings

Net profit for the fiscal year ended November 30, 1956 amounted to \$5,906,430 or \$5.88 per share compared with \$5,004,062 or \$5.06 per share for 1955 based on the number of shares outstanding at the end of each year.

Earnings for the 1956 fiscal year included non-recurring net profit from special items of \$409,636 or 41 cents per share which is the net sum remaining from the profit obtained on the sale of Mexican properties less the special charge in connection with the Chicago Vitreous Corporation purchase and the combined loss arising from the sale of two plants as discussed earlier.

Profit from operations before Federal and State taxes on income amounted to \$11,481,794 in 1956 an increase of 12.5% over the comparable figure of \$10,204,062 for 1955.

SUMMARY OF NET WORTH

	NOVEMBER 30, 1956		NOVEMBER 30, 1955	
	AMOUNT	PER SHARE	AMOUNT	PER SHARE
SHAREHOLDERS' NET WORTH	\$38,899,244	\$38.71	\$34,834,412	\$35.22
THIS OWNERSHIP WAS REPRESENTED BY				
Working capital (current assets less current liabilities)	\$27,298,811	\$27.16	\$23,247,257	\$23.50
Net fixed assets	24,389,349	24.27	24,470,614	24.74
Other assets	3,176,865	3.16	3,091,216	3.13
Total	\$54,865,025	\$54.59	\$50,809,087	\$51.37
FROM WHICH MUST BE DEDUCTED				
Long term debt	\$15,000,000	\$14.92	\$15,000,000	\$15.16
Reserves	965,781	0.96	974,675	0.99
Total	\$15,965,781	\$15.88	\$15,974,675	\$16.15
SHAREHOLDERS' NET WORTH	\$38,899,244	\$38.71	\$34,834,412	\$35.22

Excluding special items net profit from operations for 1956 was \$5 496 794 or \$5 47 per share

Balance Sheet

The balance sheet at November 30 1956 reflects the purchase of the assets of Chicago Vitreous Corporation and Lusterlite Corporation which transaction was completed on that date

Shareholders net worth at November 30 1956 was \$38 899 244 or \$38 71 per share an increase of \$4 064 832 over net worth at the end of the previous year

Substantially all of the increase in net worth is in net current assets working capital at November 30 1956 amounted to \$27 298 811 an increase of \$4 051 554 over the close of the previous year and a new all time high Cash and United States Government securities aggregated \$13 947 086 a gain of \$1 236 476 Inventories of \$16 244 643 at November 30 1956 were \$2 509 663 higher than at November 30 1955 substantially all of the increase being inventories of Chicago Vitreous Corporation

Other changes in balance sheet items were of minor importance Net plant account of \$24 389 349 at the end of 1956 was only slightly below the comparable figure of \$24 470 614 a year earlier despite the fact that depreciation and depletion charges were \$3 096 237

There were 1 005 000 shares of capital stock outstanding at the end of 1956 as compared with 989 177 shares a year earlier The increase is a result of 22 900 shares being issued against exercise of options less 7 077 treasury shares which were purchased during the year

Dividends

Dividends declared during 1956 amounted to \$2 00 per share, a new high compared with \$1 80 per share declared in 1955 and \$1 50 per share in 1954

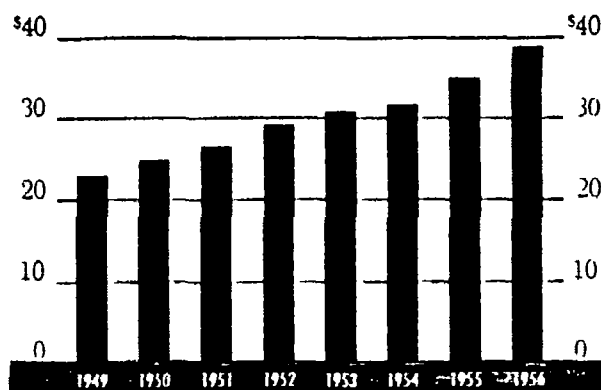
The Company's stock is currently on a \$2 20 annual basis a 55 cent quarterly rate having been established in September 1956

The Company has now paid dividends in each of the last 21 years and the dividend payable in March 1957 will mark the 68th consecutive quarterly payment

NET WORTH PER SHARE

(At November 30)

Based on present plan



General

Entering 1957 The Eagle Picher Company has six operating divisions which provide a wider diversification of business than ever before among many basic industries Three of these divisions represent activities of companies purchased during the past five years for cash and without increase in the Company's stock capitalization

All divisions are definitely profit minded and each one is constantly endeavoring to improve its return on invested capital Each division competes with the other divisions and with outside opportunities for use of the Company's capital

A forward looking company today must strive to be a good citizen a good employer and a credit to the business community but within the limitations the Company's paramount objective is obtaining the best possible return on its shareholders investment

No company is any stronger than the people in it There are now approximately 7300 members of the Eagle-Picher organization We believe that they constitute a capable aggressive cooperative group who realize full well the advantages to themselves of a profitable growing company

Elmer Shore

President

Cincinnati Ohio
January 28, 1957

THE EAGLE-PICHER COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS	<u>1956</u>	<u>1955</u>
CURRENT ASSETS		
Cash	\$ 8 599 143	\$ 7 755 906
Accounts and notes receivable less allowance for doubtful receivables \$294 221 and \$269 559	12 862 879	12 311 537
Inventories of raw materials work in process, finished products and supplies (note 1)	<u>16 244 643</u>	<u>13 734 980</u>
TOTAL CURRENT ASSETS	<u>37 706 665</u>	<u>33 802 423</u>
 OTHER ASSETS		
Repair parts and maintenance supplies	818 250	709 142
Investments at or below cost and miscellaneous accounts and advances	<u>1 097 458</u>	<u>966 280</u>
	<u>1 915 708</u>	<u>1 675 422</u>
 PROPERTY PLANT AND EQUIPMENT AT COST (note 2)	61 529 057	59 805 141
Less Allowance for depreciation depletion etc	<u>37 139 708</u>	<u>35 334 527</u>
	<u>24 389 349</u>	<u>24 470 614</u>
 PREPAID AND DEFERRED CHARGES		
Prepaid freight insurance, etc	498 578	506 553
Miscellaneous deferred charges	<u>762 579</u>	<u>909 241</u>
	<u>1 261 157</u>	<u>1 415 794</u>
	<u><u>\$65 272 879</u></u>	<u><u>\$61 364 253</u></u>

The accompanying notes are an integral part of these financial statements.

AND DOMESTIC SUBSIDIARIES

AS AT NOVEMBER 30 1956 AND 1955

LIABILITIES	1956	1955
CURRENT LIABILITIES		
Accounts payable	\$ 6 532 943	\$ 6 257 875
Dividend payable	552 848	667 707
Accrued liabilities	2 707 901	2 741 008
Federal taxes on income less U S Government obligations \$5 347,943 and \$4 954 704	614 162	888 576
TOTAL CURRENT LIABILITIES	<u>10 407 854</u>	<u>10 555 166</u>
 LONG TERM DEBT (note 3)		
3 ³ / ₄ % notes maturing serially to July 15 1974	<u>15 000 000</u>	<u>15 000 000</u>
 RESERVES FOR SELF INSURANCE	<u>965 781</u>	<u>974 675</u>
 STOCKHOLDERS EQUITY		
Capital stock — par value \$10 per share authorized 1 500 000 shares issued and outstanding 1 012 077 shares (note 4)	10 120 770	9 891 770
Surplus		
Capital surplus (note 4)	2 998 619	2 771 681
Earned surplus (note 3)	<u>26 070 822</u>	<u>22 170 961</u>
	39,190,211	34 834 412
Less Treasury stock 7 077 shares — at cost	<u>290 967</u>	<u>—</u>
	<u>38 899 244</u>	<u>34 834 412</u>
	<u>\$65 272 879</u>	<u>\$61 364 253</u>

integral part of this balance sheet

THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS

YEARS ENDED NOVEMBER 30 1956 AND 1955

	<u>1956</u>	<u>1955</u>
INCOME		
Net sales	\$116 407 000	\$114 480 080
Other income	<u>548 713</u>	<u>84 426</u>
	<u>116 950 713</u>	<u>114 564 506</u>
COSTS AND EXPENSES		
Production and manufacturing cost	93 145 569	92 628 428
Selling general and administrative expenses	8 654 651	8 193 152
Provision for depreciation and depletion	3 096 237	2 969 269
Interest	<u>572 462</u>	<u>569 595</u>
	<u>105 468 919</u>	<u>104 360 444</u>
PROFIT FROM OPERATIONS — before Federal and State taxes on income	11,481 794	10 204 062
FEDERAL AND STATE TAXES ON INCOME	<u>5 985 000</u>	<u>5 200 000</u>
NET PROFIT FROM OPERATIONS FOR THE YEAR	5 496 794	5 004 062
NET PROFIT FROM SPECIAL ITEMS		
Non recurring profit from Mexican subsidiaries less Federal income taxes	1 395 676	—
Special charge in connection with purchase of assets of Chicago Vitreous Corporation (excess of cost over book values November 30 1956) (note 2)	(936 261)	—
Loss on sale of two plants less Federal income tax credit	<u>(49 779)</u>	<u>—</u>
	<u>409 636</u>	<u>—</u>
NET PROFIT FOR YEAR	5 906 430	5 004 062
EARNED SURPLUS AT BEGINNING OF YEAR	<u>22 170 961</u>	<u>18 947 466</u>
	28 077 391	23 951 528
CASH DIVIDENDS PAID AND ACCRUED	<u>2 006 569</u>	<u>1 780 567</u>
EARNED SURPLUS AT END OF YEAR (note 3)	<u><u>\$ 26 070 822</u></u>	<u><u>\$22 170 961</u></u>

The accompanying notes are an integral part of this statement () Denotes deduction

THE LAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30 1956

- 1 Ores, metals and metal bearing products have been valued at the lower of cost or market which has been reduced to state basic quantities of lead and zinc 9 000 and 16 000 tons respectively at fixed prices based on 6 5 cents per pound for lead (New York) and 5 cents per pound for zinc (East St. Louis) under the base stock method of inventory valuation adopted at November 30 1949

Other inventories have been valued at average and standard costs or lower which approximate replacement market

As of November 30 1956 the company purchased for cash all of the assets of the Chicago Vitreous Corporation. The consideration was \$986 261 in excess of the book value of the assets acquired. This amount has been allocated to property, plant and equipment in the accompanying financial statements. A reserve in the amount of this excess has been provided at November 30 1956 by a special charge to income to reduce the property plant and equipment acquired to the net basis of the predecessor.

- 3 Under the provisions of the loan agreement pertaining to the 3-3/4% notes due July 15 1974 the company is required to prepay \$1 000 000 on July 15 of each year to maturity commencing in 1960

The 3-3/4% notes contain a covenant which so long as any of the notes remain outstanding restricts the amount which may be declared as dividends (other than those payable in capital stock of the company) or applied to the purchase redemption or retirement of the company's capital stock. At November 30 1956 the amount not so restricted was approximately \$9 600 000.

- 4 Under a stock option plan approved by the stockholders of the company on March 23 1954 key employees of the company may be granted options to purchase an aggregate of 75 000 shares of capital stock of the company. Options granted under this plan shall be for terms not to exceed ten years and shall not be exercisable until one year from the date granted or at any time unless the last sales price (market quotation) before the date of exercise is at least 20% above the option price the option price being the fair market value but not less than the last sales price of such stock on the New York Stock Exchange at the date of granting. The shares subject to each option shall become purchasable to the extent of 25% on the first and each successive anniversary of the date on which the option was granted the installment rights being cumulative. As of November 30 1956 options have not been granted for 5 500 shares of the capital stock authorized to be issued.

During the year unissued capital stock was issued for a consideration of \$455 988 as the result of the exercise of options for 22 900 shares of the company's capital stock. The excess of the consideration received over the par value of the capital stock \$226 988 was credited to capital surplus.

At November 30 1956 there were outstanding options entitling the holders thereof to purchase 41 350 shares at \$19 375 per share and 5 250 shares at \$26 375 per share respectively.

- 5 A portion of the company's sales for the year ended November 30 1956 is subject to renegotiation under the Renegotiation Act of 1951. Management is of the opinion that adjustment if any will not be significant.

PEAT, MARWICK, MITCHELL & CO

Accountants and Auditors

CINCINNATI 2 OHIO

THE BOARD OF DIRECTORS

THE EAGLE PICHER COMPANY

We have examined the consolidated balance sheet of The Eagle Picher Company and its domestic subsidiaries as of November 30 1956 and the related statement of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion except for the charge against income of the reserve referred to in note 2 to the consolidated financial statements, the accompanying consolidated balance sheet and statement of consolidated profit and loss and earned surplus present fairly the financial position of The Eagle-Picher Company and its domestic subsidiaries at November 30 1956 and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

PEAT MARWICK MITCHELL & CO

Cincinnati Ohio
January 23, 1957

FIVE-YEAR SUMMARY

FOR THE FISCAL YEARS 1952 - 1956

SOURCE OF FUNDS		APPLICATION OF FUNDS	
Net Profit	\$20 635 930	Dividends Paid	\$ 8 307 885
Depreciation and Depletion	11 236 579	Capital Additions	28 807 554
Increase in Long Term Debt	7 500 000	Increase in Working Capital	8 673 056
Decrease in Foreign Investments	2 194 239	Increase in Other Assets	508 057
Disposition of Fixed Assets	4 079 848	Other	290 967
Other Sources	940 923		
	<u>\$46 587 519</u>		<u>\$46 587 519</u>

FOR THE YEARS ENDED NOVEMBER 30	1956	1955	1954	1953	1952
INCOME STATEMENT					
Net Sales	\$116 407 000	\$114 480 080	\$83 233 880	\$85 033 403	\$81 893 067
Depreciation and Depletion	3 096 237	2 969 269	1 990 578	1 557 372	1 623 123
Net Profit Before Income Taxes	11 481 794	10 204 062	4 946 829	5 952 966	4 323 643
Net Profit	5 906 430	5 004 062	2 446 829	3 242 966	4 035 643
Net Profit Per Share	5 88	5 06	2 47	3 28	4 08
Dividend Per Share-Calendar Year	2 00	1 80	1 50	1 50	1 50
AS AT NOVEMBER 30					
	1956	1955	1954	1953	1952
BALANCE SHEET					
Property Plant & Equipment, net	\$24 389 349	\$24 470 614	\$25 824 409	\$17 583 985	\$16 493 018
Working Capital	27 298 811	23 247 257	18 447 048	25 808 749	25 176 975
Long Term Debt	15 000 000	15 000 000	15 000 000	15 000 000	13,575 000
Net Worth	38 899 244	34 834 412	31 610 917	30 646 045	28 898 443
Net Worth Per Share	38 71	35 22	31 96	30 98	29 21
Shares Outstanding at Year-end	1 005 000	989 177	989 177	989 177	989 177

PRINCIPAL PROPERTIES AND PRODUCTS

CHEMICAL DIVISION	<p>MANUFACTURING PLANTS GALENA KANSAS HILLSBORO ILLINOIS JOPLIN MISSOURI</p> <p>PRINCIPAL PRODUCTS—Lead free zinc oxides leaded zinc oxides super sublimed white lead sublimed blue lead white lead carbonate basic silicate white lead lead silicates red lead lead peroxide orange mineral litharge sublimed litharge germanium metal and dioxide sulphuric acid zinc sulphate</p>
CHICAGO VITREOUS CORPORATION DIVISION	<p>MANUFACTURING PLANT CICERO ILLINOIS</p> <p>PRINCIPAL PRODUCTS—Ceramics porcelain enamel frits for home appliances such as ranges refrigerators washers driers freezers space heaters water heaters plumbing ware and for lighting fixtures architectural paneling outdoor signs and other products requiring protective finishes steel buildings (Lusterlite Corporation) porcelain enameled steel buildings for major marketers of petroleum products</p>
FABRICON PRODUCTS DIVISION	<p>MANUFACTURING PLANTS RIVER ROUGE MICHIGAN PHILADELPHIA PITTSBURGH PENNSYLVANIA LOS ANGELES CALIFORNIA</p> <p>PRINCIPAL PRODUCTS—Automotive door trim foundation panel trunk lining boards sound deadener parts floor carpets sunshade visors dash insulator mats glove boxes plastics Lamin Art decorative laminated sheets molded polyester Fiberglass or sisal parts custom impregnated papers textiles and glass cloth packaging materials plain and printed waxed paper printed cellophane and polyethylene</p>
INSULATION DIVISION	<p>MANUFACTURING PLANTS CLARK NEVADA DOVER NEW JERSEY JOPLIN MISSOURI</p> <p>PRINCIPAL PRODUCTS—Mineral wool insulations cements blocks blankets felts aluminum storm windows and screens storm and screen doors diatomaceous earth products fillers aggregates absorbents catalyst supports</p>
MINING AND SMELTING DIVISION	<p>MINES TRISTATE DISTRICT (MISSOURI OKLAHOMA KANSAS) GALENA ILLINOIS LINDEN SHILLSBURG WISCONSIN TUCSON ARIZONA PARRAL MEXICO ZINC SMELTER HENRYETTA OKLAHOMA CONCENTRATING MILLS COMMERCE OKLAHOMA GALENA ILLINOIS LINDEN SHILLSBURG WISCONSIN SAHUARITA ARIZONA PARRAL MEXICO RARE METALS PLANT MIAMI OKLAHOMA</p> <p>CONSOLIDATED SUPPLY COMPANY Treece Kansas</p> <p>NORTHEAST OKLAHOMA RAILROAD COMPANY MIAMI OKLAHOMA</p> <p>PRINCIPAL PRODUCTS—Slab zinc chat cadmium germanium silicon zinc concentrates lead concentrates</p>
OHIO RUBBER COMPANY DIVISION	<p>MANUFACTURING PLANTS WILLOUGHBY OHIO CONNEAUTVILLE PENNSYLVANIA LONG BEACH CALIFORNIA</p> <p>PRINCIPAL PRODUCTS—Molded extruded rubber to-metal mechanical rubber products automobile floor mats miscellaneous mats weatherstrip tubing vibration mountings handle grips semi pneumatic tire (wheel good industrial agricultural) defroster hose tracks for track laying vehicles (military and industrial) flexible vinyl parts and perforated materials products manufactured from natural synthetic and silicone rubbers in all sizes shapes and colors for original equipment and industrial applications</p>